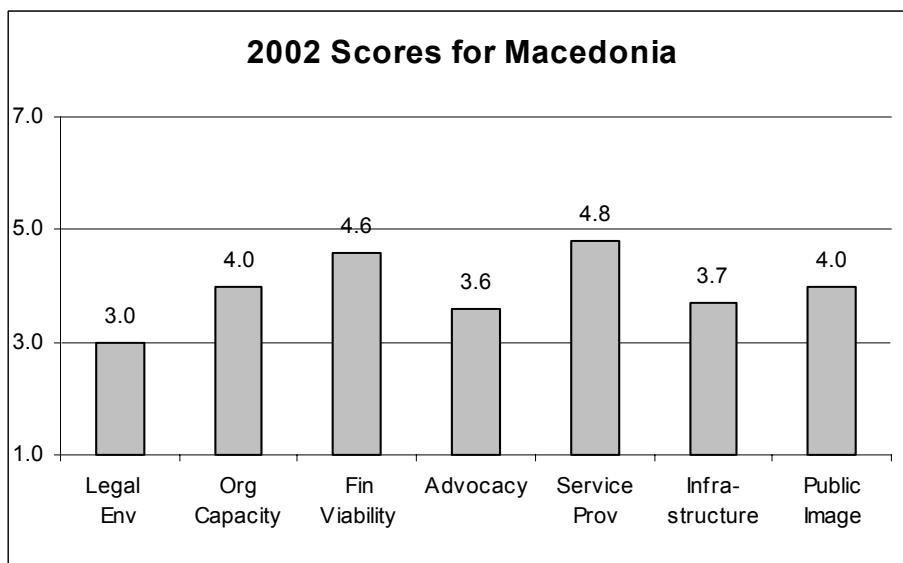


MACEDONIA



Capital:
Skopje

Polity:
Parliamentary
democracy

Population:
2,054,800

**GDP per capita
(PPP):** \$4,400

NGO SUSTAINABILITY: 4.0

There are currently over 4,000 NGOs registered in Macedonia, the majority of which are based in Skopje. Half of these are thought to be active, although it is impossible to determine an accurate number.

NGO SUSTAINABILITY

2002	4.0
2001	4.1
2000	4.6
1999	4.6
1998	4.4

The vast majority of NGOs are associations for sports, culture, recreation, various professions and other orientations.

The aftermath of the conflict in Macedonia, which broke out in February 2001, is still felt in many sectors of society. Although peace was formally established with the ratification of the "Framework Agreement" by the Macedonian Parliament in November 2001, the security situation is still fragile in the north-west part of the country with sporadic outbreaks of violence and ongoing ethnic tensions. In the NGO sector, the repercussions

of the conflict are felt most directly in the further deterioration of the economic situation in the country

The NGO sector remains ethnically and politically divided with NGOs frequently identified with a particular political affiliation. Competition between NGOs is still the norm, although some positive examples of cooperation have been noted this past year, especially on the peace process and elections. For the most part, NGOs are still very donor dependent. Local sources of funding are practically nonexistent because of the difficult economic situation. The fact that NGOs are treated the same as businesses in terms of taxation is yet another impediment to their development and sustainability. Tax incentives for individual or corporate donations are non-existent in the former and insufficient in the latter case.

On the positive side, there has been increasingly effective mobilization by NGOs on a variety of issues including peace campaigns, women's representation in parlia-

ment, violence against journalists, and voter education, mobilization and monitoring during the September 2002 parliamentary elections. As a result of this increased activity, public perception of the NGO sector has improved.

On the negative side, the politicization of the NGO sector led to increased government harassment and intimidation of certain

NGOs, or NGO members, as a result of their criticism of the government or because of their party affiliation. This was particularly true during the pre-election period when a number of NGOs and individuals were accused of acting as a “fifth column” together with the international community in order to overthrow the government.

LEGAL ENVIRONMENT: 3.0

No significant changes have occurred this past year in terms of the legal environment. In general, the Law on Citizen Associations and Foundations, passed in June 1998, is

LEGAL ENVIRONMENT	
2002	3.0
2001	3.0
2000	3.0
1999	3.0
1998	3.0

considered favorable in that it allows NGOs to register and operate freely. Templates of NGO statutes and founding resolutions can be downloaded from the Internet, making it

easier and more affordable for NGOs to register by diminishing the need for legal services.

From a legal and practical standpoint, NGOs have the freedom to organize public debates and express criticism. However, during 2002, a number of NGOs that had been strongly critical of the government were intimidated by the central government and ostracized by pro-government media. These NGOs, however, were not apolitical and were affiliated with opposition political parties. There have been no cases of NGO dissolution for political or arbitrary reasons on the side of the State.

Taxation remains the largest legal impediment to NGO growth. Tax exempt status for public benefit NGOs and tax incentives for individual donors have not yet been introduced into legislation. A provision for corporations to donate up to 3% of their

annual income to institutions funded through the State budget or the Red Cross does exist, but is insufficient and needs to be expanded to the broader NGO sector. There are a number of NGO tax reform initiatives ongoing. The Foundation Open Society Institute – Macedonia (FOSIM) is funding a project to improve the tax and fiscal framework for NGOs in Macedonia. The First Children’s Embassy MEGJASHI has been engaged in a project related to financing of NGOs and increasing corporate philanthropy. The Macedonian Center for International Cooperation will publish a Macedonian version of ICNL’s *Survey on Tax Laws Affecting NGOs*. The USAID-funded ICNL has been providing technical assistance to many of these initiatives as well as working with the Ministry of Finance (MoF) and the U.S. Treasury Advisor to introduce provisions beneficial to NGOs into the tax reform effort underway at the MoF. NGO taxation policy is an area where NGOs need to increase their cooperation and lobby together to improve their position.

The Law on Associations and Foundations prohibits NGOs from engaging in economic activities. Legally, NGOs must register as limited liability companies in order to earn income from the provision of goods and services. Some organizations have registered themselves this way, others are engaging in such activities despite the law. Legally, NGOs can compete for govern-

ment contracts and procurements although published tenders do not specify that NGOs are qualified to apply. Moreover, there is very little awareness among

NGOs about the possibility to compete for government tenders, or how to position themselves to provide public goods and services.

ORGANIZATIONAL CAPACITY: 4.0

Most NGOs in Macedonia are not constituency-based organizations and, in fact, few even understand the concept.

ORGANIZATIONAL CAPACITY

2002	4.0
2001	4.0
2000	4.0
1999	4.0
1998	4.0

Instead, NGOs are generally established by and rely on donors, while constituencies are sought only later. While there are efforts in this direction,

constituency building is still not a regular component of most NGOs' work.

As in previous years, very little attention is paid to strategic planning, due in large part to the general instability in Macedonian society. NGO activities are most often targeted towards grant applications without taking into account their organizational capacity or mission. As a result, NGOs repeatedly apply for grants that are incompatible with their goals, know-how and resources.

There is a lack of proper internal

management structures within most NGOs. Boards of Directors are practically nonfunctioning in the vast majority of NGOs and most have no system in place for setting goals or making decisions. Management tends to be centralized in the hands of one or a few individuals within the organization. There is a negligible number of NGOs that have permanent paid staff. Most NGOs operate on a project basis with staff or activists receiving a stipend from project activities. Some NGOs are attempting to overcome this situation and are making an effort to professionalize their staff as they have become cognizant of the fact that organizational strengthening leads to financial sustainability and improved effectiveness.

The level of technical advancement is satisfactory due to donations and grants. In recent years, a number of NGO support centers have become operational in major cities and towns in addition to the expansion of Internet cafes. The technical know-how and effective use of the equipment remains questionable, however.

FINANCIAL VIABILITY: 4.6

The financial viability of NGOs in Macedonia has deteriorated due to the worsening economic situation. Local sources of funding are scarce and difficult to

FINANCIAL VIABILITY

2002	4.6
2001	4.0
2000	5.0
1999	5.0
1998	5.0

come by. Due to the poor state of the economy and lack of incentives for philanthropic donations, NGOs are in a difficult position to try to generate financial support from local sources. Many NGOs

do receive some level of in-kind contributions from local businesses, municipal government and even individuals, although the extent of this type of support is difficult to gauge because NGOs often fail to mention such support. NGOs tend to focus their 'fundraising strategies' on the relatively easy to obtain donor grants as opposed to smaller-scale methods that are more time-consuming.

Reliable financial management systems are uncommon. The majority of NGOs are

reluctant to share financial information within the organization or to a broader audience. During the past year financial management trainings and audits have been offered to NGOs and a limited number of organizations are beginning to realize the benefits of having sound financial management systems in place.

The First Children's Embassy was engaged in a project related to financing of NGOs, the first output of which was a survey of possibilities for NGO financing. A second effort is underway related to ways to increase corporate philanthropy. As a result of growing interest, the Macedonian Center for International Cooperation has undertaken research on public funding of the NGO sector.

With the exception of the Federation of Labor Unions, the collection of dues is not a typical practice among NGOs. Earned income continues to be insufficient in comparison to the needs of NGOs.

ADVOCACY: 3.6

ADVOCACY

2002	3.6
2001	4.0
2000	4.5
1999	4.5
1998	5.0

In spite of the difficult post-conflict circumstances in Macedonia that have affected all fields of operation in the not-for-profit sector, positive developments were evident in the area of advocacy.

While certain ministries have appointed liaisons for the NGO sector, taken as a whole NGO cooperation with the national government has deteriorated. In comparison, NGOs tend to have a higher level of collaboration and there are many exam-

ples of joint activities with local government structures.

The relatively large number of NGO advocacy initiatives in Macedonia over the past year demonstrates the increased capacity of the NGO sector to foster positive changes in society. In June 2001, FOSIM organized a civil action campaign involving 117 NGOs under the title "Enough is Enough" as a citizens' voice in response to the conflict. The campaign continued throughout 2002 and publicly raised key issues such as: free and fair elections, corruption, decentralization, demilitarization of society, and putting an end to the brain

drain. FOSIM's "Citizens' Platform for Peace and Stability" is another endeavor that started with public debates in 10 towns and produced a document that was publicly presented to political parties prior to the 2002 parliamentary elections. The document was available in the print media and on the NGO's web site. The lobbying efforts on the part of a group of women's NGOs resulted in legal changes that required political parties to include at least 30% women on their candidate lists and resulted in a two-fold increase in the number of women elected to parliament. In the lead up to the September parliamentary elections a number of NGOs and NGO coalitions were actively engaged in campaigns to raise citizen's awareness of voting rights and responsibilities, educating

voters on amendments in legislation and changes in voting procedures, voter mobilization and election monitoring. As part of the NGO campaign "Power is in the People", an NGO information center became operational and offered updates on activities of the NGO sector during the elections. Likewise, a women's press center was established to provide greater visibility concerning women in the 2002 parliamentary elections. A coalition of 20 NGOs under the umbrella organization MOST mobilized almost 3,000 volunteers to monitor the polls on election-day.

SERVICE PROVISION: 4.8

Although there are opportunities in many fields, the overall product line of services offered by NGOs is rather narrow. The expansion of NGO-provided services is limited by the weak economy, problematic legal

SERVICE PROVISION

2002	4.8
2001	5.0
2000	5.5
1999	5.5

provisions, lack of government recognition and the overall level of development of the NGO sector. To a certain extent, NGOs do fill in the gap left by the government in terms of providing services in the social sphere and health protection; however, the efforts are not well coordinated or all-inclusive. A positive example is the provision of social services resulting from the UNICEF initiative to start the process of de-institutionalization for mentally handicapped children. As in previous years, the range of goods and services offered by NGOs includes: SOS lines, shelters for victims of domestic violence and internally

displaced persons from last year's conflict, legal and other counseling, kindergartens, and English language courses. NGO goods and services are typically found in the capital and are more infrequent in the countryside. In most cases, services are project-based and therefore potentially unsustainable. There is often duplication of the goods and services that are provided mainly because the majority of activities are donor, and not constituency, driven.

Publications, workshops and reports produced by the NGO community are usually not directed to the general public and reach a limited clientele within the sector, academia and the government on occasion.

Fee-for-service activities are not common as NGOs lack skills in market demand and supply. Consequently, the costs that NGOs charge for goods and services are often symbolic at best.

INFRASTRUCTURE: 3.7

The number of NGO support centers has expanded in recent years. The Swiss Agency for Development and Cooperation together with FOSIM financed four NGO

INFRASTRUCTURE

2002	3.7
2001	4.5
2000	5.0
1999	5.0

support centers in the towns of Veles, Prilep, Stip and Kicevo. These centers have become operational and are providing technical

assistance, training, advice and small grants to NGOs. In addition, the European Center for Minority Issues has set up six regional NGO centers. The primary goal of these centers, located in Skopje, Tetovo, Gostivar, Stip, Kumanovo and Bitola, is to enhance NGO cooperation and improve inter-ethnic tolerance, respect of differences, and dialogue through joint projects and initiatives. Access to information is also available through NGO web sites, bulletins, and directories.

Although a number of coalitions developed over the past year, the donor community served as the driving force for their establishment. Despite this fact, the coalitions that were created proved to be successful

in a number of areas, particularly during the recent parliamentary elections. Information sharing among NGOs continues to be a weakness and NGOs have not adopted a way of thinking that considers the larger goals and needs of the sector. With a few exceptions, many NGOs operating in the same area are unaware of similar ongoing efforts mainly because they are preoccupied with their own agendas.

Local training is available and is conducted in Macedonian and in minority languages. However, the training that is currently available is not able to meet the growing needs of the sector. The number of NGO trainers has expanded yet work remains to be done to improve the quality of the trainings. Macedonian language training materials do exist but are sometimes hard to obtain as they are not published on a regular basis. Local web sites tend to offer very little training information.

The second NGO Fair took place in late October and served as a forum to help increase communication, coordination and exchange within the sector.

PUBLIC IMAGE: 4.0

The number and visibility of NGO advocacy initiatives in Macedonia over the past year have had a positive influence on the public's perception of the sector. However,

PUBLIC IMAGE

2002	4.0
2001	4.5
2000	5.0
1999	5.0
1998	5.0

further work needs to be done to improve the public perception of NGOs. The vast majority of the public

is still not aware of the role NGOs can play in fostering positive changes in society. NGO activities receive exposure in the

media; however, most reports are basic facts and do not get into more serious analysis or research of civil society issues. Insufficient knowledge and understanding of the sector by journalists is also problematic and can result in unprofessional coverage of issues that concern the sector. Prior to the parliamentary elections in September 2002, the government in cooperation with certain pro-government print and electronic media launched a campaign against certain individuals, local and international NGOs as a result of their open criticism of the government or be-

cause of their party affiliation. The intention was to create a negative picture about these NGOs among the general public; however, in many regards, this attempt backfired, creating a negative image of certain media outlets as mouthpieces of the government, rather than destroying the credibility of the campaign's targets. NGOs are not proficient and do not pay sufficient attention to portraying their work to the general public on a regular basis.

Communication with the media is more ad hoc or donor driven as an advocacy element.

The business sector in Macedonia tends to be ill-informed about NGOs. Those businesses that do give to NGOs tend to donate to religious monuments (renovation and building of churches and monasteries), sports events, or beauty pageants.